

Loan programs can stem losses

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The SBA offers two kinds of loans for business owners in regions that have been declared federal disaster areas. Parts of Louisiana, Mississippi, Alabama and Florida have already received disaster declarations following Hurricane Katrina's devastating pass through those states.

The first type of loan is the **physical disaster business loan**, which provides businesses – of any size – with funds to repair or replace real estate, equipment, fixtures, machinery and inventory. Companies can receive loans of up to \$1.5 million. These loans are only available to businesses without insurance, or that suffered damage that extends beyond their coverage. SBA further states that if the business was legally required to maintain flood insurance but did not, then the SBA will not make a disaster loan.

The second type of loan is the **economic injury disaster loan** available to small businesses that have suffered substantial economic injury due to a disaster. These loans are available up to \$1.5 million. Companies that apply for both kinds of loans can receive an aggregate loan amount of only \$1.5 million. Economic injury disaster loans have a limitation similar to the physical disaster loans; they're available only to small businesses with no other sources of credit.

Both types of loans have interest capped at 4 percent per year. The term of the loan is determined on a case by case basis, up to a maximum of 30 years. The SBA may require that you put up collateral for a loan, but it also says it "will not decline a loan for lack of collateral."

To apply for a disaster loan, a business should first register with FEMA. They will then refer businesses to the SBA to continue the process.

Business owners can register with FEMA online if possible because of high phone call volume. Go to www.fema.gov/about/process and look for the link that says "register online." FEMA can be reached by phone at 800-621-3362, or for speech or hearing impaired people, at 800-462-7585.

Before a loan can be granted, there must be an assessment of the damage to the business and it could be weeks before damage assessments will be able to be done.

Business owners need to provide documents such as financial statements and tax returns. If an owner lost all of his records in the hurricane winds, rain and flooding, he can still apply. SBA can get copies of business tax returns from the IRS and banks can furnish statements for the owner.